

TEACHERS' RETIREMENT BOARD
INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 12

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: February 3, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between December 31, 1998 and January 20, 1999.

1. The yield on the 30 year U.S. Treasury bond has increased slightly from 5.10% to 5.17%.
2. The market level of the S&P 500 Index has increased from 1,229 to 1,256.
3. The U.S. dollar has been unchanged compared to the yen (114 to 114), euro (1.16 to 1.16), and pound sterling (167 to 167).
4. The Federal Reserve Board of Governors next scheduled meeting is on February 2, 1999. The Federal Reserve is expected to leave the Fed Funds rate of 4.75% and discount rate of 4.50% unchanged.
5. As of January 20th, the U.S. equity market continues to experience divergent returns by size and sector. The following list of major U.S. equity indices is provided with January 1999 returns only:

A. NASDAQ (computer related)	10.2%
B. Russell 2000 Index (small stock)	2.1%
C. S&P 500 Index (large stock)	2.1%
D. Bloomberg REIT Index	(0.4%)

Note: Attachments 1 and 2 are not available in electronic format at this time.

California State Teachers' Retirement System
Internal S&P 500 Portfolio Performance Review

The California State Teachers' Retirement System's internally managed S&P 500 Portfolio (Portfolio) was \$1,178,498,353 as of December 31, 1998. Over the past nine months, the Portfolio provided a total return of 12.89%. By comparison, the return of the Portfolio's benchmark, the S&P 500 Index, was 12.97%. The table below summarizes the returns and characteristics of the Portfolio versus its benchmark.

	Portfolio Return ¹	Index Return ²	Tracking Error
Since Inception 3/31/98	12.892%	12.975%	-0.084%
Portfolio Market Value	1,178 (\$ mil.)		
Index Market Value	9,942 (\$ bil.)		
P/E Ratio	32.27		
Dividend Yield	1.34		

¹ Portfolio return calculated by State Street Bank Analytics.

² The total return for the index was calculated by Wilshire Associates.